

Fredericksburg Community School District

Independent Auditor's Reports  
Basic Financial Statements  
And Supplementary Information  
Schedule of Findings

June 30, 2007

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## Independent Auditor's Report

To the Board of Education of  
Fredericksburg Community School District:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Fredericksburg Community School District, as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Fredericksburg Community School District at June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued my report dated December 18, 2007 on my consideration of the Fredericksburg Community School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 40 through 42 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Fredericksburg Community School District's basic financial statements. Another auditor previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2006 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Keith Oltrogge  
Certified Public Accountant

December 18, 2007

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Fredericksburg Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. I encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### 2007 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$3,456,728 in fiscal 2006 to \$3,604,880 in fiscal 2007, while General Fund expenditures increased from \$3,395,234 in fiscal 2006 to \$3,529,826 in fiscal 2007. The District's General Fund balance increased from \$914,203 in fiscal 2006 to \$989,257 in fiscal 2007, an 8% increase.
- The increase in General Fund revenues was attributable to an increase in revenues from other local revenue sources. The increase in expenditures was due to higher costs in Instruction for the year.
- The District's solvency ratio has increased from 44.6% at June 30, 2006 to 49.9% at June 30, 2007. The District's solvency level indicates the District is able to meet unforeseen financing requirements and presents a sound risk for the timely repayment of short-term debt obligations.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Fredericksburg Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Fredericksburg Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Fredericksburg Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the non-major governmental funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

**Figure A-1**  
**Fredericksburg Community School District Annual Financial Report**

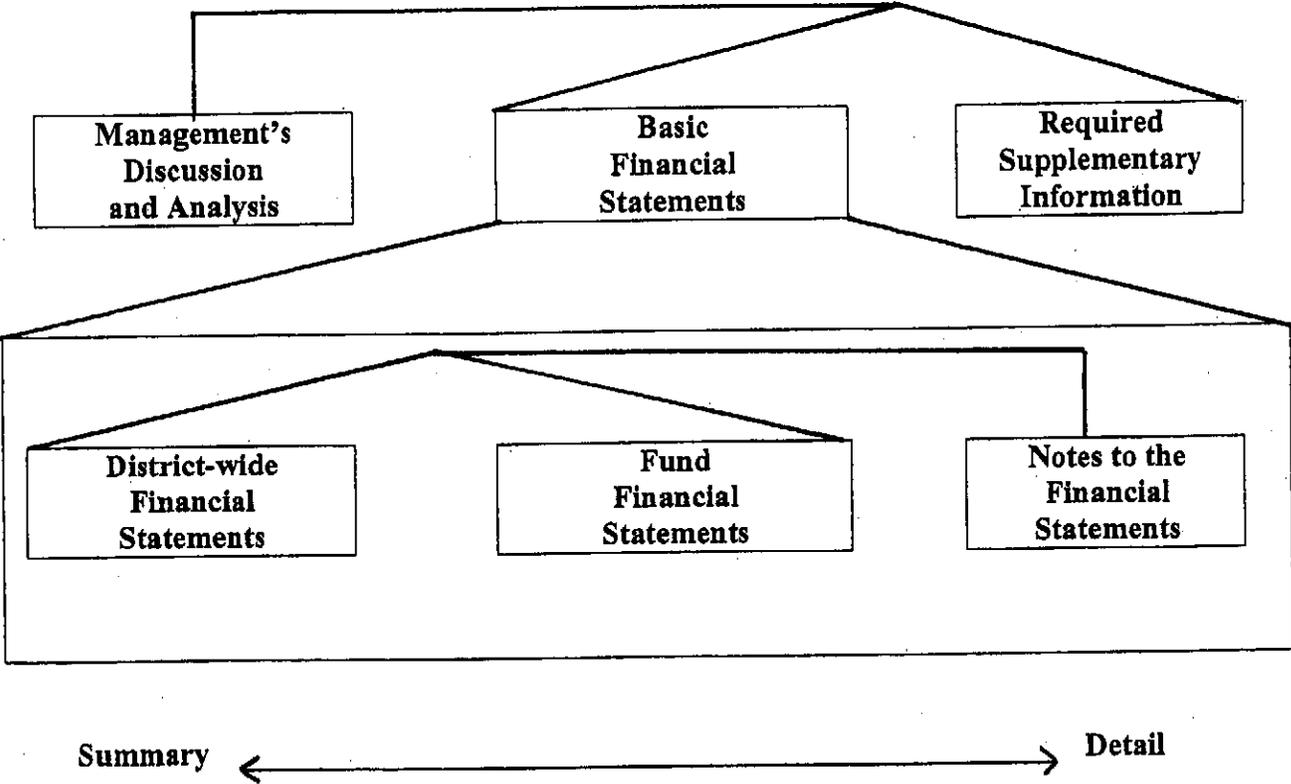


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

**Figure A-2  
Major Features of the Government-wide and Fund Financial Statements**

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	Statement of net assets  Statement of activities	Balance sheet  Statement of revenues, expenditures and changes in fund balances	Statement of net assets  Statement of revenues, expenses and changes in fund net assets  Statement of cash flows	Statement of fiduciary net assets  Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust Funds.

- Private-Purpose Trust Funds – The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds includes a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliation between the government-wide financial statements and the fund financial statements follow the fund financial statements.

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2007 compared to June 30, 2006.

**Figure A-3**  
**Condensed Statement of Net Assets**  
(Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-2007
Current and other assets	\$3,180	\$2,866	\$10	\$14	\$3,190	\$2,880	\$310
Capital assets	1,619	1,571	12	12	1,631	1,583	48
Total assets	\$4,799	\$4,437	\$22	\$26	\$4,821	\$4,463	\$358
Long-term liabilities	\$210	\$310	\$-	\$-	\$210	\$310	\$-100
Other liabilities	1,409	1,267	2	2	1,411	1,269	142
Total liabilities	\$1,619	\$1,577	\$2	\$2	\$1,621	\$1,579	\$42
Net assets:							
Invested in capital assets, net of related debt	\$1,409	\$1,261	\$12	\$12	\$1,421	\$1,273	\$148
Restricted	10	322	-	-	10	322	-312
Unrestricted	1,761	1,277	8	12	1,769	1,289	480
Total net assets	\$3,180	\$2,860	\$20	\$24	\$3,200	\$2,884	\$316

The District's combined net assets increased by nearly 10%, or approximately \$316,000, over the prior year. The largest portion of the District's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased approximately \$312,000, or 97% over the prior year. The decrease was primarily a result of reclassification of certain net assets reserved for other special revenue purposes.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately \$480,000, or 27%. This increase in unrestricted net assets was largely a result of revenues exceeding expenditures in all governmental funds for the year.

Figure A-4 shows the change in net assets for the year ended June 30, 2007 compared to the year ended June 30, 2006.

**Figure A-4**  
**Changes in of Net Assets**  
(Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-2007
<b>Revenues:</b>							
<b>Program revenues:</b>							
Charges for service	\$1,256	\$1,197	\$78	\$82	\$1,334	\$1,279	\$55
Operating grants, contributions and restricted interest	337	280	63	62	400	342	58
Capital grants, contributions and restricted interest	-	-	-	-	-	-	-
<b>General revenues:</b>							
Property tax	1,223	1,334	-	-	1,223	1,334	-111
Local option sales and service tax	183	147	-	-	183	147	36
Unrestricted state grants	992	971	-	-	992	971	21
Unrestricted investment earnings	107	48	1	-	108	48	60
Other	92	29	-	-	92	29	63
<b>Total revenues</b>	<b>\$4,190</b>	<b>\$4,006</b>	<b>\$142</b>	<b>\$144</b>	<b>\$4,332</b>	<b>\$4,150</b>	<b>\$182</b>
<b>Program expenses:</b>							
<b>Governmental activities:</b>							
Instruction	\$2,661	\$2,425	\$-	\$-	\$2,661	\$2,425	\$236
Support services	1,038	970	-	-	1,038	970	68
Non-instructional programs	-	-	145	148	145	148	-3
Other expenses	160	235	-	-	160	235	-75
<b>Total expenses</b>	<b>\$3,859</b>	<b>\$3,630</b>	<b>\$145</b>	<b>148</b>	<b>\$4,004</b>	<b>\$3,778</b>	<b>\$226</b>
<b>Increase (Decrease) in net assets</b>	<b>\$331</b>	<b>\$376</b>	<b>\$-3</b>	<b>\$-4</b>	<b>\$328</b>	<b>\$372</b>	<b>\$-44</b>

In fiscal 2007, property tax and unrestricted state grants account for 51% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 92% of the total expenses.

## Governmental Activities

Revenues for governmental activities were \$4,190,295 and expenses were \$3,859,403. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

**Figure A-5**  
**Total and Net Cost of**  
**Governmental Activities**  
(Expressed in thousands)

	Total Cost of Services	Net Cost of Services
Instruction	\$2,661	\$1,080
Support Services	1,038	1,027
Non-instructional programs	-	-
Other expenses	160	160
Totals	<u>\$3,859</u>	<u>\$2,267</u>

- The cost financed by users of the District's programs was \$1,255,575.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$336,870.
- The net cost of governmental activities was financed with \$1,406,289 in property and other taxes and \$991,588 in unrestricted state grants.

## Business Type Activities

Revenues for business type activities were \$142,106, representing a 2% decrease from the prior years, while expenses were \$145,419 a 2% decrease from the prior year. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

## INDIVIDUAL FUND ANALYSIS

As previously noted, Fredericksburg Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$1,771,734, above last year's ending fund balances of \$1,513,494. The primary reason for the increase in combined fund balances in fiscal 2007 is due to increased revenues and careful spending.

## Governmental Fund Highlights

The District's General Fund financial position remains healthy as a result of many factors. Growth during the year in local taxes resulted in an increase in revenues.

The General Fund balance increased from \$914,203 to \$989,257, due to an increase in current assets.

The Capital Projects Fund balance increased from \$255,011 in 2006 to \$338,262 in 2007.

## Proprietary Fund Highlights

School Nutrition Fund net assets decreased from \$24,011 at June 30, 2006 to \$20,698 at June 30, 2007, representing a decrease of approximately 14%. The District incurred increased expenses for salaries and supplies during the year.

**BUDGETARY HIGHLIGHTS**

The District's receipts were \$45,685 more than budgeted receipts, a variance of 1%. The most significant variance resulted from the District receiving more from local sources than originally anticipated.

It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the support services functional area due to the timing of expenditures at year-end without sufficient time to amend the certified budget.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At June 30, 2007, the District had invested \$1,631,820, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 3% from last year. More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expense for the year was \$125,028.

The original cost of the District's capital assets was \$3,398,441. Governmental funds account for \$3,370,649, with the remainder of \$27,792 accounted for in the Proprietary, School Nutrition Fund.

**Figure A-6**  
**Capital Assets, net of Depreciation**  
(Expressed in thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-2007
Land	\$18	\$18	\$-	\$-	\$18	\$18	\$-
Buildings and improvements	1,338	1,333	-	-	1,338	1,333	5
Improvements other than buildings	-	-	-	-	-	-	-
Furniture and equipment	263	220	12	12	275	232	43
<b>Totals</b>	<b>\$1,619</b>	<b>\$1,571</b>	<b>\$12</b>	<b>\$12</b>	<b>\$1,631</b>	<b>\$1,583</b>	<b>\$48</b>

**Long-Term Debt**

At June 30, 2007, the District had \$210,000 in general obligation debt outstanding. This represents a decrease of 32% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 4 to the financial statements.

**Figure A-7**  
**Outstanding Long-term Obligations**  
(Expressed in thousands)

	Total District		Total Change
	June 30,		June 30,
	2007	2006	2006-2007
General obligation bonds	\$210	\$310	\$-100

## **ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future:

The District is continuing a whole grade sharing agreement with Sumner Community School District that began with the 2005-2006 school year to help deal with declining enrollment.

As the community's economy stabilizes, it is anticipated that the District's tax base and enrollment will remain steady.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Theresa Schulz, District Secretary, Fredericksburg Community School District, Fredericksburg IA 50630.

## **Basic Financial Statements**

## Fredericksburg Community School District

## Statement of Net Assets

June 30, 2007

	Govern- mental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and Cash Equivalents:			
Other	\$ 1,827,144	\$ 1,194	\$ 1,828,338
Receivables:			
Property tax:			
Delinquent	19,948	-	19,948
Succeeding year	1,272,744	-	1,272,744
Accounts	40	72	112
ISCAP interest	2,773	-	2,773
Due from other governments	57,414	5,015	62,429
Inventories	-	3,747	3,747
Capital assets, net of accumulated depreciation	1,619,477	12,343	1,631,820
<b>Total Assets</b>	<b>\$ 4,799,540</b>	<b>\$ 22,371</b>	<b>\$ 4,821,911</b>
<b>Liabilities</b>			
Accounts payable	\$ 85,214	\$ -	\$ 85,214
Salaries and benefits payable	50,371	-	50,371
Accrued interest payable	569	-	569
Deferred revenue-succeeding year property tax	1,272,744	-	1,272,744
Deferred revenue-other	-	1,673	1,673
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	105,000	-	105,000
Portion due after one year:			
General obligation bonds payable	105,000	-	105,000
<b>Total Liabilities</b>	<b>\$ 1,618,898</b>	<b>\$ 1,673</b>	<b>\$ 1,620,571</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	\$ 1,409,477	\$ 12,343	\$ 1,421,820
Restricted for:			
Other special revenue purposes	10,058	-	10,058
Unrestricted	1,761,107	8,355	1,769,462
<b>Total Net Assets</b>	<b>\$ 3,180,642</b>	<b>\$ 20,698</b>	<b>\$ 3,201,340</b>

**Fredericksburg Community School District**

**Statement of Activities**

**Year Ended June 30, 2007**

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b><u>Functions/Programs</u></b>				
Governmental Activities:				
Instruction:				
Regular instruction	\$ 2,008,057	\$ 1,037,429	\$ 280,225	\$ -
Special instruction	367,418	140,910	55,395	-
Other instruction	286,098	67,604	-	-
	<u>\$ 2,661,573</u>	<u>\$ 1,245,943</u>	<u>\$ 335,620</u>	<u>\$ -</u>
Support Services:				
Student services	\$ 94,978	\$ -	\$ 1,250	\$ -
Instructional staff services	45,177	-	-	-
Administration services	437,467	-	-	-
Operation and maintenance of plant services	259,165	410	-	-
Transportation services	201,170	9,222	-	-
	<u>\$ 1,037,957</u>	<u>\$ 9,632</u>	<u>\$ 1,250</u>	<u>\$ -</u>
Other Expenditures:				
Facilities acquisition	\$ 44,794	\$ -	\$ -	\$ -
Long-term debt interest	10,794	-	-	-
AEA flow-through	104,285	-	-	-
	<u>\$ 159,873</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Governmental Activities	\$ 3,859,403	\$ 1,255,575	\$ 336,870	\$ -
Business Type Activities:				
Non-Instructional Programs:				
Food service operations	145,419	78,751	62,762	-
Total	<u>\$ 4,004,822</u>	<u>\$ 1,334,326</u>	<u>\$ 399,632</u>	<u>\$ -</u>

Net (Expense) Revenue  
And Changes in Net Assets

Governmental Activities		Business Type Activities		Total
\$	-690,403	\$	-	\$ -690,403
	-171,113		-	-171,113
	-218,494		-	-218,494
\$	-1,080,010	\$	-	\$ -1,080,010
\$	-93,728	\$	-	\$ -93,728
	-45,177		-	-45,177
	-437,467		-	-437,467
	-258,755		-	-258,755
	-191,948		-	-191,948
\$	-1,027,075	\$	-	\$ -1,027,075
\$	-44,794	\$	-	\$ -44,794
	-10,794		-	-10,794
	-104,285		-	-104,285
\$	-159,873	\$	-	\$ -159,873
\$	-2,266,958	\$	-	\$ -2,266,958
	-		-3,906	-3,906
\$	-2,266,958	\$	-3,906	\$ -2,270,864

**Fredericksburg Community School District**

**Statement of Activities**

**Year Ended June 30, 2007**

	Program Revenues		
	Operating	Capital	
	Grants,	Grants,	
	Contributions	Contributions	
	and	and	
	Restricted	Restricted	
	Interest	Interest	
Expenses	Charges		
	for		
	Services		

**General Revenues:**

Property Tax Levied For:  
  General purposes  
  Capital outlay  
  Debt service  
Local option sales and services tax  
Unrestricted state grants  
Unrestricted investment earnings  
Other

Total General Revenues

Change in net assets before other sources

Other Sources:

  Loss on disposal of assets

Change in net assets

Net assets beginning of year

Net Assets End of Year

Net (Expense) Revenue  
And Changes in Net Assets

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Governmental Activities	Business Type Activities	Total
\$ 994,676	\$ -	\$ 994,676
118,062	-	118,062
110,341	-	110,341
183,210	-	183,210
991,588	-	991,588
107,495	593	108,088
92,478	-	92,478
\$ 2,597,850	\$ 593	\$ 2,598,443
\$ 330,892	\$ -3,313	\$ 327,579
-9,787	-	-9,787
\$ 321,105	\$ -3,313	\$ 317,792
2,859,537	24,011	2,883,548
\$ 3,180,642	\$ 20,698	\$ 3,201,340

## Fredericksburg Community School District

Balance Sheet  
Governmental Funds

June 30, 2007

<b>Assets</b>	General	Management Levy	Capital Projects	Non-major Special Revenue	Total
Cash and Pooled Investments:					
Other	\$ 996,945	\$ 217,337	\$ 337,774	\$ 275,088	\$ 1,827,144
Receivables:					
Property Tax:					
Delinquent	15,557	1,395	-	2,996	19,948
Succeeding year	989,515	100,000	-	183,229	1,272,744
Accounts	40	-	-	-	40
Due from other governments	43,797	-	13,617	-	57,414
ISCAP interest receivable	2,773	-	-	-	2,773
<b>Total Assets</b>	<b>\$ 2,048,627</b>	<b>\$ 318,732</b>	<b>\$ 351,391</b>	<b>\$ 461,313</b>	<b>\$ 3,180,063</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 60,994	\$ -	\$ 13,129	\$ 11,091	\$ 85,214
Salaries and benefits payable	8,861	41,510	-	-	50,371
Deferred Revenue:					
Succeeding year property tax	989,515	100,000	-	183,229	1,272,744
Total Liabilities	<b>\$ 1,059,370</b>	<b>\$ 141,510</b>	<b>\$ 13,129</b>	<b>\$ 194,320</b>	<b>\$ 1,408,329</b>
Fund Balances:					
Reserved	\$ 10,058	\$ -	\$ -	\$ -	\$ 10,058
Unreserved	979,199	177,222	338,262	266,993	1,761,676
Total Fund Balances	<b>\$ 989,257</b>	<b>\$ 177,222</b>	<b>\$ 338,262</b>	<b>\$ 266,993</b>	<b>\$ 1,771,734</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 2,048,627</b>	<b>\$ 318,732</b>	<b>\$ 351,391</b>	<b>\$ 461,313</b>	<b>\$ 3,180,063</b>

## Fredericksburg Community School District

Reconciliation of the Balance Sheet – Governmental Funds  
To the Statement of Net Assets

June 30, 2007

<b>Total fund balances of governmental funds (page 16)</b>	\$ 1,771,734
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds	1,619,477
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds	-569
Long-term liabilities, including bonds and notes payable and compensated absences, are not due and payable in the current period and, therefore, are not reported in the governmental funds	<u>-210,000</u>
<b>Net assets of governmental activities (page 10)</b>	<u>\$ 3,180,642</u>

## Fredericksburg Community School District

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds

Year Ended June 30, 2007

	General	Management Levy	Capital Projects	Non- Major Special Revenue	Total
<b>Revenues:</b>					
<b>Local Sources:</b>					
Local tax	\$ 994,714	\$ 85,090	\$ 183,210	\$ 228,403	\$ 1,491,417
Tuition	752,551	-	-	-	752,551
Other	529,337	57,293	13,057	103,310	702,997
Intermediate sources	-	-	-	-	-
State sources	1,212,794	57	-	123	1,212,974
Federal sources	115,484	-	-	-	115,484
<b>Total Revenues</b>	<b>\$ 3,604,880</b>	<b>\$ 142,440</b>	<b>\$ 196,267</b>	<b>\$ 331,836</b>	<b>\$ 4,275,423</b>
<b>Expenditures:</b>					
<b>Current:</b>					
<b>Instruction:</b>					
Regular instruction	\$ 1,905,516	\$ 41,510	\$ -	\$ -	\$ 1,947,026
Special instruction	369,818	-	-	-	369,818
Other instruction	216,543	-	-	68,755	285,298
	<b>\$ 2,491,877</b>	<b>\$ 41,510</b>	<b>\$ -</b>	<b>\$ 68,755</b>	<b>\$ 2,602,142</b>
<b>Support Services:</b>					
Student services	\$ 94,978	\$ -	\$ -	\$ -	\$ 94,978
Instructional staff services	45,177	-	-	-	45,177
Administration services	425,318	7,640	-	-	432,958
Operation and maintenance of plant services	208,948	30,610	-	-	239,558
Transportation services	159,243	5,552	-	73,861	238,656
	<b>\$ 933,664</b>	<b>\$ 43,802</b>	<b>\$ -</b>	<b>\$ 73,861</b>	<b>\$ 1,051,327</b>
<b>Other Expenditures:</b>					
Facilities acquisition	\$ -	\$ -	\$ 113,016	\$ 36,188	\$ 149,204
<b>Long-Term Debt:</b>					
Principal	-	-	-	100,000	100,000
Interest and fiscal charges	-	-	-	10,225	10,225
AEA flow-through	104,285	-	-	-	104,285
	<b>\$ 104,285</b>	<b>\$ -</b>	<b>\$ 113,016</b>	<b>\$ 146,413</b>	<b>\$ 363,714</b>
<b>Total Expenditures</b>	<b>\$ 3,529,826</b>	<b>\$ 85,312</b>	<b>\$ 113,016</b>	<b>\$ 289,029</b>	<b>\$ 4,017,183</b>
Net change in fund balances	\$ 75,054	\$ 57,128	\$ 83,251	\$ 42,807	\$ 258,240
Fund balances beginning of year	914,203	120,094	255,011	224,186	1,513,494
<b>Fund Balances End of Year</b>	<b>\$ 989,257</b>	<b>\$ 177,222</b>	<b>\$ 338,262</b>	<b>\$ 266,993</b>	<b>\$ 1,771,734</b>

**Fredericksburg Community School District**

**Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances – Governmental Funds  
To the Statement of Activities**

**Year Ended June 30, 2007**

**Net change in fund balances – total governmental funds (page 18)** \$ 258,240

*Amounts reported for governmental activities in the Statement of Activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 180,959	
Depreciation expense	-122,610	58,349

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments exceeded issues, as follows:

Repaid		100,000
--------	--	---------

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

-569

Certain delinquent property tax not collected for several months after year end is not considered available revenue and is deferred in the governmental funds.

-85,128

**Change in Net Assets of Governmental Activities (page 15)** **\$ 330,892**

## Fredericksburg Community School District

Statement of Net Assets  
Proprietary Fund

June 30, 2007

	<u>School Nutrition</u>
<b>Assets</b>	
Cash and investments	\$ 1,194
Receivable:	
Accounts	72
Due from other governments	5,015
Inventories	3,747
Capital assets, net of accumulated depreciation	12,343
<b>Total Assets</b>	<u>\$ 22,371</u>
<b>Liabilities</b>	
Deferred revenue	<u>\$ 1,673</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	\$ 12,343
Unrestricted	<u>8,355</u>
<b>Total Net Assets</b>	<u>\$ 20,698</u>

**Fredericksburg Community School District**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Proprietary Fund**  
**June 30, 2007**

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for service	\$ 78,751
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	\$ 57,902
Benefits	7,692
Purchased services	5,421
Supplies	71,986
Depreciation	2,418
Total operating expenses	<u>\$ 145,419</u>
Operating loss	<u>\$ -66,668</u>
Non-operating revenues:	
State sources	\$ 2,080
Federal sources	60,682
Interest Income	593
Total non-operating revenues	<u>\$ 63,335</u>
Net loss	\$ -3,313
Net assets beginning of year	<u>24,011</u>
Net Assets End of Year	<u>\$ 20,698</u>

Fredericksburg Community School District

Statement of Cash Flows  
Proprietary Fund

Year Ended June 30, 2007

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 78,787
Cash paid to employees for services	-65,594
Cash paid to suppliers for goods or services	-64,557
Net cash used by operating activities	<u>\$ -51,364</u>
Cash flows from non-capital financing activities:	
State grants received	\$ 1,956
Federal grants received	42,966
Net cash provided by non-capital financing activities	<u>\$ 44,922</u>
Cash flows from investing activities:	
Interest on investments	<u>\$ 593</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>\$ -2,395</u>
Net decrease in cash and cash equivalents	\$ -8,244
Cash and cash equivalents beginning of year	<u>9,438</u>
Cash and Cash Equivalents End of Year	<u>\$ 1,194</u>
<b>Reconciliation of operating loss to net cash used by operating activities:</b>	
Operating loss	\$ -66,668
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	12,825
Depreciation	2,418
Decrease in inventories	26
(Increase) in accounts receivable	-72
Increase in deferred revenue	107
Net Cash Used by Operating Activities	<u>\$ -51,364</u>

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2007, the District received \$12,825 of federal commodities.

**Fredericksburg Community School District**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**Year Ended June 30, 2007**

	<u>Private Purpose Trust Scholarship</u>
<b>Assets</b>	
Cash and investments	<u>\$ 27,956</u>
<b>Liabilities</b>	
None	<u>\$ -</u>
<b>Net assets</b>	
Reserved for scholarships	<u>\$ 27,956</u>

See notes to financial statements.

**Fredericksburg Community School District**  
**Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Funds**

**Year Ended June 30, 2007**

	Private Purpose Trust
	Scholarship
Additions:	
Local sources:	
Gifts and contributions	\$ 17,800
Interest income	647
Total additions	\$ 18,447
Deductions:	
Support services:	
Scholarships awarded	\$ 6,050
Change in net assets	
Net assets beginning of year	\$ 15,559
Net Assets End of Year	\$ 27,956

# Fredericksburg Community School District

## Notes to Financial Statements

June 30, 2007

### (1) Summary of Significant Accounting Policies

The Fredericksburg Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Fredericksburg, Iowa and portions of the predominately agricultural territories in Chickasaw, Bremer and Fayette Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

Effective July 1, 2004, the Fredericksburg Community School District and the Sumner Community School District have entered into a whole grade sharing agreement.

The District's financial statements are prepared in conformity with U. S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

#### A. Reporting Entity

For financial reporting purposes, Fredericksburg Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Fredericksburg Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

#### B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and (2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Management Fund is used to account for all resources used for early retirement and property and liability insurance obligations.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary fund includes the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

#### C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year-end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2006.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 0
Buildings	0
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	1,500

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable – Payroll and related expenditures for support staff corresponding to the current school year, which were paid in July, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year-end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Long-term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, expenditures in the support services functional area exceeded the amount budgeted.

**(2) Cash and Pooled Investments**

The District's deposits in banks at June 30, 2007 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

**(3) Capital Assets**

Capital assets activity for the year ended June 30, 2007 was as follows:

	Balance Beginning Of Year	Increases	Decreases	Reclassification	Balance End Of Year
<b>Governmental Activities:</b>					
Capital assets not being depreciated:					
Land	\$ 18,501	\$ -	\$ -	\$ -	\$ 18,501
Capital assets being depreciated:					
Buildings and improvements	\$ 2,413,958	\$ 24,602	\$ -	\$ 46,777	\$ 2,485,337
Improvements other than buildings	-	-	-	38,300	38,300
Furniture and equipment	778,981	156,357	21,750	-85,077	828,511
Total capital assets being depreciated	\$ 3,192,939	\$ 180,959	\$ 21,750	\$ -	\$ 3,352,148
Less accumulated depreciation for:					
Buildings and improvements	\$ 1,081,004	\$ 43,747	\$ -	\$ 22,175	\$ 1,146,926
Improvements other than buildings	-	-	-	38,300	38,300
Furniture and equipment	559,521	78,863	11,963	-60,475	565,946
Total accumulated depreciation	\$ 1,640,525	\$ 122,610	\$ 11,963	\$ -	\$ 1,751,172
Total capital assets being depreciated, net	\$ 1,552,414	\$ 58,349	\$ 9,787	\$ -	\$ 1,600,976
Governmental activities capital assets, net	\$ 1,570,915	\$ 58,349	9,787	\$ -	\$ 1,619,477

	Balance Beginning Of Year	Increases	Decreases	Balance End Of Year
<b>Business type activities:</b>				
Furniture and equipment	\$ 48,898	\$ 2,395	\$ 23,501	\$ 27,792
Less accumulated depreciation	36,532	2,418	23,501	15,449
Business type activities capital assets, net	\$ 12,366	\$ -23	\$ -	\$ 12,343

Depreciation expense was charged to the following functions:

Governmental Activities:

Instruction:

Regular	\$ 61,031
Special	288
Other	800

Support services:

Administration	4,509
Operation and maintenance of plant	19,607
Transportation	36,375

Unallocated

-

Total Depreciation Expense – governmental activities

\$ 122,610

Business type activities:

Food service operations	\$ 2,418
-------------------------	----------

**(4) Long-term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2007 are summarized as follows:

	Balance Beginning Of Year	Additions	Reductions	Balance End Of Year	Due Within One Year
General obligation bonds	\$ 310,000	\$ -	\$ 100,000	\$ 210,000	\$ 105,000

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employees is equal to the employee's base salary calculated by using the current year regular salary schedule, less the BA base of the salary schedule. The early retirement expenditures for the year ended June 30, 2007 were \$41,510.

## General Obligation Bonds

Details of the District's June 30, 2007 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of June 1, 2004		
	Interest Rates	Principles	Interest
2008	5.00%	\$105,000	\$6,825
2009	5.10%	105,000	3,675
Total		\$210,000	\$10,500

### **(5) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P. O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2007, 2006 and 2005. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$98,651, \$94,182, and \$90,122, respectively, equal to the required contributions for each year.

### **(6) Risk Management**

Fredericksburg Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

### **(7) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$104,285 for the year ended June 30, 2007 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**Required Supplementary Information**

**Fredericksburg Community School District**

**Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances –  
Budget and Actual – All Governmental Funds and Proprietary Fund**

**Required Supplementary Information**

**Year Ended June 30, 2007**

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual
Revenues:			
Local sources	\$ 2,946,965	\$ 79,344	\$ 3,026,309
Intermediate sources	-	-	-
State sources	1,212,974	2,080	1,215,054
Federal sources	115,484	60,682	176,166
Total Revenues	<u>\$ 4,275,423</u>	<u>\$ 142,106</u>	<u>\$ 4,417,529</u>
Expenditures:			
Instruction	\$ 2,602,142	\$ -	\$ 2,602,142
Support services	1,051,327	-	1,051,327
Non-instructional programs	-	145,419	145,419
Other expenditures	363,714	-	363,714
Total Expenditures	<u>\$ 4,017,183</u>	<u>\$ 145,419</u>	<u>\$ 4,162,602</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures	\$ 258,240	\$ -3,313	\$ 254,927
Balances beginning of year	1,513,494	24,011	1,537,505
Balances End of Year	<u>\$ 1,771,734</u>	<u>\$ 20,698</u>	<u>\$ 1,792,432</u>

See accompanying independent auditor's report.

	Budgeted Amounts		Final to Actual Variance
\$	2,945,034	\$	81,275
	-		-
	1,227,810		-12,756
	199,000		-22,834
\$	<u>4,371,844</u>	\$	<u>45,685</u>
\$	2,610,000	\$	7,858
	1,020,072		-31,255
	179,766		34,347
	531,746		168,032
\$	<u>4,341,584</u>	\$	<u>178,982</u>
\$	30,260	\$	224,667
	1,545,764		-8,259
\$	<u>1,576,024</u>	\$	<u>216,408</u>

**Fredericksburg Community School District**

**Notes to Required Supplementary Information – Budgetary Reporting**

**Year Ended June 30, 2007**

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2007, expenditures in the support services function exceeded the amount budgeted.

**Other Supplementary Information**

## Fredericksburg Community School District

**Combining Balance Sheet  
Non-Major Special Revenue Funds**

**June 30, 2007**

	Student Activity	Physical Plant and Equipment Levy	Debt Service	Total
<b>Assets</b>				
Cash and pooled investments	\$ 81,007	\$ 168,651	\$ 25,430	\$ 275,088
Receivables:				
Property Tax:				
Delinquent	-	1,188	1,808	2,996
Succeeding year	-	71,004	112,225	183,229
<b>Total Assets</b>	<b>\$ 81,007</b>	<b>\$ 240,843</b>	<b>\$ 139,463</b>	<b>\$ 461,313</b>
<b>Liabilities &amp; Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 641	\$ 10,450	\$ -	\$ 11,091
Deferred revenue:				
Succeeding year property tax	-	71,004	112,225	183,229
Total Liabilities	\$ 641	\$ 81,454	\$ 112,225	\$ 194,320
Fund Equity:				
Unreserved fund balances	80,366	159,389	27,238	266,993
<b>Total Liabilities &amp; Fund Balances</b>	<b>\$ 81,007</b>	<b>\$ 240,843</b>	<b>\$ 139,463</b>	<b>\$ 461,313</b>

**Fredericksburg Community School District**  
**Combining Schedule of Revenues, Expenditures**  
**and Changes in Fund Balances**  
**Non-Major Special Revenue Funds**

**Year Ended June 30, 2007**

	Student Activity	Physical Plant and Equipment Levy	Debt Service	Total
<b>Revenues:</b>				
Local Sources:				
Local tax	\$ -	\$ 118,062	\$ 110,341	\$ 228,403
Other	72,651	26,255	4,404	103,310
State sources	-	49	74	123
Total Revenues	<u>\$ 72,651</u>	<u>\$ 144,366</u>	<u>\$ 114,819</u>	<u>\$ 351,836</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Other instruction	\$ 68,755	\$ -	\$ -	\$ 68,755
Support Services:				
Transportation services	-	73,861	-	73,861
Other Expenditures:				
Facilities acquisition	-	36,188	-	36,188
Long-Term Debt:				
Principal	-	-	100,000	100,000
Interest and fiscal charges	-	-	10,225	10,225
Total Expenditures	<u>\$ 68,755</u>	<u>\$ 110,049</u>	<u>\$ 110,225</u>	<u>\$ 289,029</u>
Excess (deficiency) of revenues over (under) expenditures	\$ 3,896	\$ 34,317	\$ 4,594	\$ 42,807
Fund balances beginning of year	76,470	125,072	22,644	224,186
Fund Balances end of year	<u>\$ 80,366</u>	<u>\$ 159,389</u>	<u>\$ 27,238</u>	<u>\$ 266,993</u>

## Fredericksburg Community School District

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year Ended June 30, 2007

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Book orders	\$ -	\$ 1,272	\$ 1,272	\$ -
Athletics	41,001	32,310	31,803	41,508
Cheerleaders	627	34	34	627
Music	7,946	3,325	4,858	6,413
Student Council	541	-	57	484
FHA – HERO Club	198	1,429	1,369	258
Art Club	238	-	15	223
Science Club	490	-	-	490
Drama Club	64	-	-	64
Snack – activity	1,983	6,088	5,295	2,776
School annual	500	969	1,215	254
Pictures	992	1,237	-	2,229
Flowers and pop	2,091	958	997	2,052
Book Fair	362	3,359	3,032	689
Resale computer supplies	68	-	-	68
Interest	1,011	3,047	137	3,921
Gym rent	-	410	410	-
Jump Rope for Heart	42	-	-	42
Miscellaneous – juice machine	4,063	3,290	2,112	5,241
Falcon Friends	44	4	-	48
Field trip	1,254	1,000	400	1,854
Elementary	3,292	5,014	5,877	2,429
Friends of the Falcon Nest	7,564	3,666	5,491	5,739
School store – ELP	232	1,820	1,877	175
Milk machine	988	2,419	2,504	903
OM Team	879	-	-	879
Playground	-	1,000	-	1,000
<b>Total</b>	<b>\$ 76,470</b>	<b>\$ 72,651</b>	<b>\$ 68,755</b>	<b>\$ 80,366</b>

## Fredericksburg Community School District

Schedule of Revenues by Source and Expenditures by Function  
All Governmental Funds

## For the Last Four Years

	Modified Accrual Basis			
	2007	2006	2005	2004
<b>Revenues:</b>				
<b>Local Sources:</b>				
Local tax	\$ 1,491,417	\$ 1,483,959	\$ 1,432,914	\$ 1,391,507
Tuition	752,551	1,103,150	977,609	151,500
Other	702,997	166,874	252,730	182,412
State sources	1,212,974	1,169,719	1,208,715	1,227,694
Federal sources	115,484	82,295	131,631	54,895
<b>Total</b>	<b>\$ 4,275,423</b>	<b>\$ 4,005,997</b>	<b>\$ 4,003,599</b>	<b>\$ 3,008,008</b>
<b>Expenditures:</b>				
<b>Instruction:</b>				
Regular instruction	\$ 1,947,026	\$ 1,893,862	\$ 1,872,978	\$ 1,146,872
Special instruction	369,818	327,348	395,636	305,979
Other instruction	285,298	204,123	223,023	265,840
<b>Support services:</b>				
Student services	94,978	64,465	58,176	78,900
Instructional staff services	45,177	49,158	57,276	54,419
Administrative services	432,958	525,125	380,874	391,050
Operation and maintenance of plant services	239,558	307,109	329,201	224,243
Transportation services	238,656	107,322	94,491	71,067
Central support services	-	18,366	17,820	16,362
<b>Other expenditures:</b>				
Facilities acquisition	149,204	96,390	25,344	107,757
<b>Long-term debt:</b>				
Principal	100,000	100,000	100,000	590,000
Interest and other charges	10,225	12,725	14,725	36,006
AEA flow-through	104,285	100,271	101,118	103,540
<b>Total</b>	<b>\$ 4,017,183</b>	<b>\$ 3,806,264</b>	<b>\$ 3,670,662</b>	<b>\$ 3,392,035</b>

**Independent Auditor's Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards**

Independent Auditor's Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards

To the Board of Education of  
Fredericksburg Community School District:

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Fredericksburg Community School District as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued my report thereon dated December 18, 2007. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Fredericksburg Community School District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing my opinion on the effectiveness of Fredericksburg Community School District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Fredericksburg Community School District's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control over financial reporting that I consider to be significant deficiencies and other deficiencies I consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Fredericksburg Community Schools District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Fredericksburg Community School District's financial statements that is more than inconsequential will not be prevented or detected by Fredericksburg Community School District's internal control. I consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Fredericksburg Community School District's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, I believe items I-A-07 and I-B-07 are material weaknesses.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Fredericksburg Community School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of noncompliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Fredericksburg Community School District's responses to findings identified in my audit are described in the accompanying Schedule of Findings. While I have expressed my conclusions on the District's responses, I did not audit Fredericksburg Community School District's responses, and, accordingly, I express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Fredericksburg Community School District and other parties to whom Fredericksburg Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of Fredericksburg Community School District during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

  
Keith Oltrogge  
Certified Public Accountant

December 18, 2007

**Fredericksburg Community School District**

**Schedule of Findings**

**Year Ended June 30, 2007**

**Part I – Findings Related to the General Purpose Financial Statements**

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**SIGNIFICANT DEFICIENCIES:**

I-A-07 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits, posting of the cash receipts and disbursements, and preparation of the bank reconciliation are all done by the same person.

Recommendation – I realize segregation of duties is difficult with a limited number of office employees. However the District should review its procedures to obtain the maximum internal control possible under the circumstances.

Response – We will continue to review our procedures and make changes to improve internal control where possible.

Conclusion – Response accepted.

I-B-07 Inappropriate Hot Lunch Fund Sales – Groceries and supplies were purchased by the Hot Lunch Fund and then sold to employees and other organizations (i.e. churches and the Fire Department) on a regular basis. Because this is a federally funded program, groceries and supplies cannot be bought and re-sold.

Recommendation – I recommend the Hot Lunch Fund purchase only the supplies it needs to operate.

Response – We will ensure only items for the Hot Lunch Fund's use are purchased.

Conclusion – Response accepted.

**Fredericksburg Community School District**

**Schedule of Findings**

**Year Ended June 30, 2007**

**Part II - Other Findings Related to Statutory Reporting:**

II-A-07 Certified Budget – Expenditures for the year ended June 30, 2007 exceed the amended certified budget amounts in support services functions.

Recommendation – The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response – Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion – Response accepted.

II-B-07 Questionable Expenditures – No expenditures, I believe, may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

II-C-07 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees noted. One administrator received a flat \$900 a year in district expense. This is a non-accountable reimbursement which is not included in the employee’s W-2.

Recommendation – The District should include these reimbursements in employee wages or only reimburse accountable expenses.

Response – We will account for the reimbursements in the employee wages in the future.

Conclusion – Response accepted.

II-D-07 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title &amp; Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Steve Crawford, Teacher, Consultant	Roof Consultant	\$610

In accordance with an Attorney General’s opinion dated November 9, 1976, the above transaction does not appear to represent a conflict of interest.

II-E-07 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.

II-F-07 Board Minutes – No transactions requiring Board approval, which had not been approved by the Board were noted. Not all minutes with all disbursements for all funds were published as required by Chapter 279.35 of the Code of Iowa.

Recommendations – The Board Secretary should furnish a copy of the Board proceedings to be published within two weeks of each meeting, and include all disbursements from all funds.

Response – Procedures have been revised to ensure the minutes are published as required.

Conclusion – Response accepted.

II-G-07 Certified Enrollment – No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

II-H-07 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

II-I-07 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely.